

the veto of the charter¹ undoubtedly caused some degree of financial uneasiness at the time, but the causes of the crisis of 1837 lay deeper than merely political events. The inflation of credit which has been attributed by some to the distribution of the public monies among the State banks had already begun before the transfers were made, and the inflation would have been trifling if it had been limited to the amount of the deposits at the time. The deposits were then only \$10,000,000, and it is obvious that they would not have been a large factor in a healthy money market and were a still smaller factor in a period of inflated values and extravagant speculation. The deposits increased, however, from \$10,000,000 in 1823 to \$41,500,000 in 1836.

Congress added fuel to the speculation, and greatly embarrassed the Treasury when the crisis came, by the policy of distributing the surplus revenues among the States. Tariff reductions, although recommended by President Jackson, were not made with sufficient rapidity to prevent the accumulation of a surplus, which amounted, on January 1, 1836 to \$26,749,803. This surplus and subsequent accumulations up to January 1, 1837, reserving \$5,000,000 for the government, were ordered by the Act of June 23, 1836, to-be "deposited" with the several States in proportion to their representation in Congress. Jackson had favored a distribution in 1829,² but in 1836 had come to see the dangers of the plan and only reluctantly permitted the bill to become a law. A new element of disturbance was projected into the financial situation by the coinage Act of 1834, which changed the ratio of value of gold and silver from fifteen to one to sixteen to one, in order to promote the circulation of gold.³ It was the desire of President Jackson and Senator Benton to create a metallic currency, in place of a bank-note currency resting upon insecure foundations, and it was provided, in the bill authorizing the deposit of

¹ *Vide* ch. xiii.

² Knox, 169.

³ The measure was designed to make a market for the gold which was then being mined in considerable quantities in the Southern Appalachian range.